



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 13, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

FEDERAL LEGISLATIVE UPDATE

Senate Medicare Prescription Drug Reform

On June 12, 2003, the Senate Finance Committee adopted a Medicare prescription drug reform package, which contains Medicaid provisions that the County supports, based on policies included in the Federal Agenda adopted by your Board on February 3, 2003. These provisions include:

Medicaid Disproportionate Share Hospital (DSH) Funding: The bill would increase Medicaid DSH allotments for the one-year period beginning on April 1, 2004 to the level received by a state in Federal Fiscal Year (FFY) 2002, plus an increase for inflation. This would restore DSH funds that were cut effective in FFY 2003, resulting in roughly \$184 million in additional DSH funds for California. For FFY 2006 and beyond, annual DSH allotments would be based on the previous year's level, increased for inflation. The Committee did not adopt a straightforward freeze of the DSH cuts in order to limit the bill's overall costs.

Immigrant Children's Health Restoration: The bill would provide states with the option to provide Medicaid and State Children's Health Insurance Program (SCHIP) coverage to legal immigrant children and pregnant women in FFYs 2005 through 2007. Under current law, legal immigrants who entered the U.S. after August 22, 1996 are ineligible during their first five years in the country.

Public Hospital Inpatient Drug Provision: The bill would enable public hospitals to negotiate discounts on pharmaceuticals. Many public hospitals receive a significant discount on outpatient pharmaceuticals through the Public Health Service

Act's 340B drug discount program. However, according to the National Association of Public Hospitals and Health Systems (NAPH), public hospitals pay 20 to 25 percent more for inpatient drugs than outpatient drugs. An amendment sponsored by Senators Kyl (RAZ) and Bingaman (D-NM) removes a regulatory barrier preventing safety net hospitals from negotiating discounts on inpatient drugs.

Undocumented Immigrant Emergency Health Reimbursement: The bill also includes a provision sponsored by Senator Kyl which would provide funding to reimburse the cost of emergency medical care provided by hospitals and other providers to undocumented immigrants. According to Senator Kyl's staff, the bill provides \$250 million a year in FFYs 2005 through 2008 for such reimbursement. Actual bill language is not yet available so it is unclear whether this funding is a direct appropriation or an authorization that is subject to available appropriations.

The Medicare bill is expected on the Senate floor during the week of June 16th. The House Ways and Means and Energy and Commerce Committees are expected to consider their version of a Medicare bill next week as well. The House bill is not yet available in print, but a summary of the bill does not include any of the Medicaid provisions adopted by the Senate Finance Committee. Except for Representative Thomas, the entire California House delegation sent the attached letter to House Speaker Hastert urging that Medicaid DSH funding be restored in any House Medicare legislation.

Other Health Issues

SCHIP: On June 12, 2003, the Senate Finance Committee also approved S. 312 (Rockefeller, D-WV), which would extend the availability of SCHIP funds which were not spent by states within the statutory three-year time limit. Under current law, SCHIP funds not expended within three fiscal years are to be reallocated to states which spent their entire SCHIP allotments. S. 312 would allow states, such as California, which did not spend their entire FFYs 2000 and 2001 SCHIP allotments within the required three years to retain 50 percent of their unspent funds for an additional two years.

Medicaid Reform: The National Governors Association's bipartisan Medicaid Task Force reached an impasse and ended its efforts to craft a Medicaid reform proposal for consideration by the Congress and Administration. A June 10 letter to Health and Human Services Secretary Tommy Thompson from Republican Task Force members stated that "some of our colleagues have concluded that they are unable to complete the work of the task force." The Democratic Task Force members also released a statement indicating that a consensus could not be reached and that their Republican counterparts were "recommending enactment of a 'one-size-fits-all' federal block grant." The single biggest point of contention is that Republican, but not Democratic, governors were willing to accept capping Federal Medicaid funding. To date, no bill has been

introduced containing the Administration's reform proposal, and no hearings are scheduled.

FFY 2004 Homeland Security Appropriations

On June 16, 2003, the House Appropriations Subcommittee on Homeland Security approved its FFY 2004 appropriations bill. The subcommittee markup was closed to the public and details of the bill have not yet been released. However, a House Appropriations Committee news release indicates that the bill includes the following funding of County interest:

- \$1.9 billion for Office of Domestic Preparedness formula-based grants;
- \$500 million for state and local law enforcement terrorism prevention grants;
- \$500 million for high-threat, high-density urban areas;
- \$200 million for critical infrastructure grants; and
- \$750 million for the Firefighter Grant Program.

A separate news release issued by Subcommittee Chair Harold Rogers (R-KY) also indicates that the bill makes no changes to the formulas used to award first responder grants. A full Committee mark up of the bill has been tentatively scheduled for next week.

Temporary Assistance for Needy Families Program (TANF)

This week, the House passed H.R. 2350, a bill which extends the TANF program through September 30, 2003. The current authorization for TANF expires on June 30, 2003. The House passed a multi-year TANF reauthorization bill on February 13, 2003, and Senate Finance Committee Chair Grassley (R-IA) has stated that he wants to mark up a TANF reauthorization bill in committee before the August recess.

Pursuit of County Position on Legislation

On June 11, 2003, Representative Linda Sanchez introduced H.R. 2345, which would amend current law to allow state and local costs of incarcerating undocumented criminal aliens who had been charged but not convicted of a felony or more than one misdemeanor to be reimbursed under the State Criminal Alien Assistance Program (SCAAP). Current law limits SCAAP reimbursement to convicted persons, but, in previous years, Federal SCAAP application guidelines had allowed state and local governments to claim reimbursement for persons who had been charged but

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not convicted. However, this year's SCAAP application guidelines clarified that reimbursement only may be claimed for convicted persons. H.R. 2345 would increase the County's costs that are eligible for SCAAP reimbursement.

Based on policies supporting increased reimbursement of the County's criminal justice costs associated with criminal aliens included in the Federal Agenda adopted by your Board on February 3, 2003, **our Washington, DC advocates will support H.R. 2345.**

We will continue to keep you advised of any new developments.

DEJ:GK
MAL:MT:lm

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
All Department Heads
Legislative Strategist